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SUBJECT: SRI LANKA - AN EXCELLENT CANDIDATE MODEL  
COUNTRY ON WATER FOR THE UN COMMISSION ON  
SUSTAINABLE DEVELOPMENT

REF: STATE 275504

1. Summary: Sri Lanka is an ideal model candidate on water. The GSL has identified water as a priority and has the political will and adequate good governance to see it happen. Because of the government's intentions to provide safe water to the entire population by 2010, improve water management, invite private sector participation and review water pricing, it is a good time to engage stakeholders to develop projects. There is substantial international donor financing, local expertise and a role for the private sector. Post would be willing to facilitate creation of partnerships. End Summary.

#### Current Situation

2. There is a need for action in this sector: water supply reaches only 57% of the rural population and piped water is available to only 29% of the population. The GSL has identified water as a priority and has included water in its development agenda. The Government has adopted a water policy, which seeks to provide safe water to the entire population by 2010, improve water management, invite private sector participation and water pricing. Supporting legislation is expected to be presented to Parliament in 2004.

3. Sri Lanka wants to be a leader for the developing world in providing social infrastructure, including safe water. The GSL wishes to promote people-friendly water projects and also private/public partnerships in the water sector. A project on a municipal or village scale is feasible, and could provide a viable model.

#### Donor Support

4. There is substantial international donor support for Sri Lanka's water sector. Some of the donor money pledged in Tokyo Donors' Conference (\$4.5 billion) will go toward water projects not yet identified. Current ADB projects include Water Supply and Sanitation (\$75 million) and Water Resource Management (\$28 million). Proposed ADB projects include \$60.3 million for a secondary town and rural water project to expand access to safe water and sanitation in three provinces, including areas affected by the war, and a greater Colombo waste water treatment project. ADB Technical Assistance will support water supply sector reforms with assistance to establish a water regulator in the public utilities commission.

5. Other donors include the World Bank, which proposed a loan of \$40 million for community water. Two additional sewerage projects are being planned with Japanese funding for Kandy and Nuwara Eliya, cities located in the hill country. To date, post support for this sector has been through USAID/AEP in the areas of training, technical assistance and capacity building for water sector professionals and planners. Post could facilitate linkages between the major donor agencies, local experts and private sector participants.

#### Existing Mechanisms and Coordination

6. The National Water Supply and Drainage Board, under the Ministry of Housing and Plantation Infrastructure, currently is the principal authority for provision of safe drinking water and sanitation facilities. The draft National Water Resources Law contains provisions for equitable water allocation and pricing, and the establishment of a National Water Resources Authority (NWRA). NWRA will guide the implementation of the water act, coordinate activities of agencies active in

water planning and water use, and will be responsible for planning of water at the national, multi-basin and basin-aquifer level. There will also be an independent regulatory authority to set tariffs and regulate water delivery quality.

17. The draft policy also considers water a basic human need and but also recognizes its economic value. According to the policy, users should contribute to investments and bear the recurrent costs of drinking water, and utilizing sewage and sanitation services. The new modes of delivery of safe water and primary sanitation facilities will increasingly rely on public-private partnerships.

18. Comment: The GSL is pursuing economic reform and peace, while trying to strengthen the social infrastructure. It is also pursuing a more activist stance in international organizations, striving to be a leader in the region. Post believes it would welcome this opportunity to be a model. End comment.

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